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Tennessee State Board of Accountancy

Board Meeting Minutes

October 17, 2008

The meeting of the Tennessee State Board of Accountancy convened in the Andrew Johnson Tower, Nashville, Tennessee on Friday, October 17, 2008, at 8:30 am.

Board members present were; Vic Alexander, chairman; William Underwood, secretary; William Blaufuss, Kenneth Cozart, Alfred Creswell, Terri Jeter-McAvoy, Shannone Raybon, and Lisa Stickel.

Board members absent were; Stan Sawyer, vice-chairman; Jennifer Brundige, and Doug Warren.

Also present were; Mark Crocker, executive director; Michael Driver, attorney; Daniel Syriac and Mary Flagg, accountancy staff members; and Wendy Garvin, TSCPA staff member.

Chairman Alexander opened the meeting and asked for any announcements. There were no announcements presented. The July board meeting minutes were presented for approval. Mr. Blaufuss made a motion to approve the July minutes. Ms. Stickel seconded the motion. The Board unanimously approved the July board meeting minutes.

Chairman Alexander asked Mr. Crocker to present the Executive Director's report. Mr. Crocker gave an update on the NSABA annual meeting that will be held in Boston on October 26-29, 2008. The Department of Finance and Administration approved attendance for the director and one board member instead of three as requested and budgeted. Mr. Warren and Mr. Crocker will also attend the International Regulators Forum to be held in conjunction the NASBA Annual Meeting in Boston of October 29 and 30.

Mr. Crocker will keep the Board informed of the progress of the Accounting Licensing Database (ALD). The ALD Task Force is moving forward to familiarize all states of its existence and function in the accounting arena.

It was reported that CPE audits will soon be completed with approximately thirty (30) complaints opened as a result of no response from licensees to the Board's request for a CPE report.

The Board will discontinue its Peer Review Program. Specific details on the transfer of this responsibility to the TSCPA will be presented in the Peer Review Committee report.

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Mr. Crocker reported that even though the introduction of the Department's new payroll system was not a seamless process, the Edison Payroll system is designed to streamline the payroll process and reduce paperwork in travel and expense reimbursements. Board members were given passwords to be used with the new payroll system. This concluded the executive director's report.

Mr. Kenneth Cozart a long time board member was presented a plaque by the Director for Mr. Cozart's many years of dedicated service to the Accountancy board.

Chairman Alexander moved to next agenda item, the committee reports. Staff attorney Michael Driver and member of the Probable Cause Committee was asked to present the legal report. Mr. Driver cataloged twenty-five (25) complaints with recommendations to the Board. The summary is as follows: Civil Penalties Assessed; 9: Amount of Civil Penalties; \$15,300.00: Letters of Warning; 8: Consent Orders for Surrender or Revocation; 1: Closed; 6: Other; 1: Motion was made by Mr. Cozart to approve the Probable Cause Committee report and seconded by Mr. Underwood. All responded yes except Mr. Alexander who recused from voting on Compliant #7 but responded yes to all other complaints listed. The Probable Cause report was approved and is attached. (Attachment 1)

The Finance and Administration Committee report was presented by Ms. Terri Jeter-McAvoy. Ms. Jeter-McAvoy distributed a report to make clear the opinion that the Board has very little control over the Budget. In spite of a previously approved Budget the Board has been asked to submit another Budget allocating an increase in cost backs. Mr. Underwood asked for a rational of the increase in cost backs. Mr. Crocker explained the formula used to figure the increase in cost backs. Following an extended discussion, Ms. Jeter-McAvoy explained that several Department run programs do not generate money. Commerce and Insurance can allocate the overhead at its discretion to all divisions. Ms. Jeter-McAvoy made a motion to approve 08-09 Budget excluding the increase in cost backs. Motion was seconded by Ms. Stickel. Ms. Raybon noted that if C&I is likely to re-distribute overhead cost, why approve the budget? Ms. Jeter-McAvoy withdrew her motion to approve the Budget; the motion to withdraw was seconded by Ms. Stickel. Ms. Stickel asked if the Board could meet with the Department for further explanation of the increase in cost backs. Mr. Cozart made a motion to arrange a meeting with the Department. Mr. Underwood seconded the motion. The Board decided the approved budget from the July Board Meeting would stand until the January Meeting. The Board agreed that Mr. Crocker would arrange a meeting with Commerce and Insurance at the January meeting. This concluded the Finance and Administration report.

The Licensing Committee report was presented by Ms. Terri Jeter-McAvoy. CPE, Inc was granted approval as a Tennessee Exempt Organization including status as a State Specific Ethics provider and NASBA was also approved as a Tennessee Exempt Organizations. Adman Keegan's application for TEO status was declined. The committee reviewed felony documents for a CPA exam applicant and noted that since age 29 he had not further violations. It was recommended that the applicant be allowed to sit for the exam. If a license is issued, he will be on probation for thirty-six (36) months and subject to revocation of his license if any violations occur during the probationary period. The CBT Candidate Satisfaction Survey resulted in a determination that exam site equipment is somewhat out of date. The committee suggests that the Director and Board members consider visiting some of the exam sites to investigate the necessity of updating exam equipment. The committee reported that eight hundred eighteen (818) CPE audit requests were mailed, seven hundred fifty-six (756) licensees were in compliance, thirty-two (32) non-compliant, and thirty (30) licensees did not respond. Since July, 2008 sixty-eight (68) new licenses were issued, forty-

six (46) initial and twenty-two (22) reciprocal. The committee discussed the possibility of assessing a penalty for no response to CPE audit and technical hours not met during a CPE cycle. The report was concluded. Ms. Jeter-McAvoy made a motion to approve the report with recommendations. Ms. Stickel seconded. The Board unanimously approved.

The Peer Review Committee report was presented by William Blaufuss. Mr. Blaufuss informed the Board that members of the TSCA staff, Accountancy's staff attorney, and Board of Accountancy board members were present at the committee meeting. The main topic on the agenda was the discussion of transferring the Board's Peer Review Program to the TSCPA. Mr. Blaufuss allowed Wendy Garvin, Member Services Manager in charge of Peer Review, to the opportunity to clarify areas of concern surrounding the Board's PROC responsibilities, peer review scheduling and reporting, disciplinary actions, and continued compliance with the Board's Law and Rules when the transfer does occur. Mr. Blaufuss stated that after a very productive exchange it was agreed that the State Board will end their peer review program effective December 31, 2008. Firm statistics related to Peer Reviews were then given. The Committee agreed to no longer review new firm applications as this is viewed as an administrative function. A report from the PROC in Mississippi was reviewed and the Committee agreed to use the report as a template to aid the Board's PROC in submitting reports. This concluded the report from Mr. Blaufuss. Mr. Underwood made a motion to accept the Peer Review report as submitted. Ms. Stickel seconded the motion. Without discussion or opposition the motion was Board approved.

The Executive Committee report was presented by Mr. Kenneth Cozart. Mr. Cozart stated that the committee gave Director Crocker permission to modify the qualifications for PROC committee members. He stressed that the Board is most interested in compliance of peer reviews and not the results of the reviews. The committee discussed the merits of a Board sponsored PROC committee since the Board's Peer Review program will be turned over to the TSCPA at the end of this year. Mr. Cozart asked Mr. Crocker to give an update on the status of hiring an Investigator. Mr. Crocker reported that since February, 2008 several attempts were made to gain approval to fill the Investigator position. A recent change in form format within the Department of Human Resources required another submission for approval. On October 3, 2008 the required paperwork was submitted seeking approval to hire an Investigator with no response to date. Mr. Crocker volunteered to leave the room so the Board could discuss compensation for his work as an Investigator in conjunction with his Executive Director position. It was concluded that additional compensation was not warranted at this time. Mr. Crocker was asked to return to the meeting room. Mr. Cozart stated that his report was concluded and made a motion for approval from the Board. Mr. Underwood seconded the motion. Without discussion or opposition the Board approved.

Old Business

Board Members were given a copy of the opinion from the Attorney General that answered the question whether the authority to retain an investigator under Tenn. Code Ann. 62-1-105(c) rests solely with the Tennessee State Board of Accountancy and is not subject to the approval of any other person or agency? The opinion stated that the Tennessee State Board of Accountancy has sole authority to retain an investigator under Tenn. Code Ann 62-1-105(c). Chairman Alexander asked Mr. Crocker to provide Assistant Commissioner Majchrzak a copy of this opinion. Ms. Jeter-McAvoy stated that since the state initiated a hiring freeze, the state had hired employees, therefore, it was prudent for the Board to make this opinion available to the State. Defining the importance of hiring an Investigator, Ms. Jeter-McAvoy further stated that the main function of the Board is to protect the public through enforcement and oversight. The

investigator is necessary to carry out this function. Ms. Jeter-McAvoy said the Board would like approval to hire someone within thirty (30) days of the request.

Chairman Alexander felt it was necessary to seek the advice of outside counsel seeking an opinion to determine if HB4149 could supersede Tennessee Code Annotated section 62-1-121 (d) and allow a transfer for the Reserve Fund of the Accountancy Board to the state general fund. 62-1-121 (d) Fund of the state board of accountancy. The conclusion of two (2) attorneys' opinions was that in view of the State financial situation this was not the best time to pursue an opinion regarding the Board's fund balance. Ms. Jeter-McAvoy withdrew the motion to seek an opinion from the Attorney General. Mr. Underwood seconded the motion. Board unanimously approved.

Mr. Crocker reported that the Mutual Recognition Agreement of Ireland protects the people of Tennessee because chartered accountants in Ireland are required to meet Tennessee's standards therefore; the Board's adoption of the agreement was encouraged. Mr. Crocker explained that basically this agreement is a Mobility Law and chartered accountants from Ireland would be subject to the standards and disciplinary actions as other CPA's practicing in Tennessee under the Mobility Law. Mr. Blaufuss made a motion to approve adopting the Mutual Recognition Agreement of Ireland. Mr. Cozart seconded the motion. Board approved the motion.

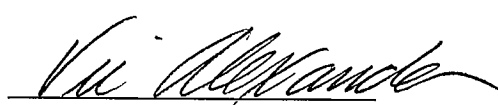
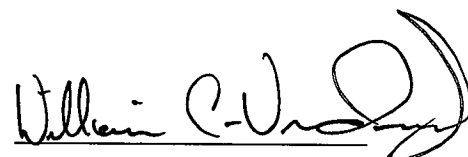
Ms. Jeter-McAvoy reported that no action has been taken toward the status of Independence since the last meeting in July. The CPA's of Tennessee have not had a meeting with the Legislative committee in the past three (3) months. Ms. Jeter-McAvoy will continue to keep abreast of this activity with the CPA's in Tennessee through the TSCPA.

New Business

In keeping with the Board's approval to grant one (1) hour of CPE to each board member that attends a board meeting, attorney Michael Driver presented an explanation of the Mobility Law.

There being no further business discussed. The meeting was adjourned.

Approved by:

Chairman

Secretary